

INGALLSTON TOWNSHIP, MICHIGAN

Annual Financial Report

March 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name INGALLSTON TOWNSHIP	County MENOMINEE
Fiscal Year End 3/31/2006	Opinion Date 7/21/2006	Date Audit Report Submitted to State 09/28/2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

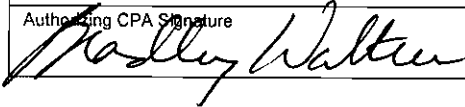
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ YES ☒ NO All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ YES ☒ NO There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ YES ☒ NO The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ YES ☒ NO The local unit has adopted a budget for all required funds.
5. ☐ YES ☒ NO A public hearing on the budget was held in accordance with State statute.
6. ☐ YES ☒ NO The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ YES ☒ NO The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ YES ☒ NO The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ YES ☒ NO The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ YES ☒ NO There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ YES ☒ NO The local unit is free of repeated comments from previous years.
12. ☐ YES ☒ NO The audit opinion is UNQUALIFIED.
13. ☐ YES ☒ NO The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ YES ☒ NO The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ YES ☒ NO To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

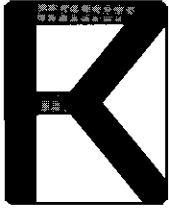
We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) KERBER, ROSE & ASSOCIATES, S.C.		Telephone Number 715-735-9321	
Street Address 1727 STEPHENSON ST.		City MARINETTE	State WI
		Zip 54143	
Authorizing CPA Signature 		Printed Name BRADLEY WALTERS	License Number 13321

INGALLSTON TOWNSHIP, MICHIGAN

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KERBER, ROSE & ASSOCIATES, S.C.

Certified Public Accountants

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(715) 735-9321 • Fax (715) 735-5899

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Township Board
Ingallston Township
Menominee County, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Ingallston Township, Michigan (Township), as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of the Township as of March 31, 2006, the respective changes in financial position, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2006, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Township has not presented management's discussion and analysis which is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America.

To the Township Board
Ingallston Township

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information for the year ended March 31, 2006 listed in the table of contents has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kerber, Rose & Associates, S.C.

KERBER, ROSE & ASSOCIATES, S.C.
Certified Public Accountants
July 21, 2006

BASIC FINANCIAL STATEMENTS

INGALLSTON TOWNSHIP, MICHIGAN

Statement of Net Assets

As of March 31, 2006

	Governmental Activities
ASSETS:	
Cash	\$ 51,998
Investments	135,000
Receivables:	
Tax	3,345
Other	1,207
Internal Balances	2,071
Prepays	3,454
Capital Assets, Net of Depreciation	35,833
Total Assets	<u>232,908</u>
 NET ASSETS:	
Invested in Capital Assets	35,833
Unrestricted	197,075
TOTAL NET ASSETS	<u>\$ 232,908</u>

See Accompanying Notes

INGALLSTON TOWNSHIP, MICHIGAN

Statement of Activities

For the Year Ended March 31, 2006

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Total Governmental Activities
FUNCTIONS/PROGRAMS:			
Governmental Activities:			
General Government	\$ 71,721	\$ 2,622	\$ (69,099)
Public Safety	15,000	-	(15,000)
Public Works	42,232	-	(42,232)
Other	486	-	(486)
Total Governmental Activities	\$ 129,439	\$ 2,622	(126,817)

General Revenues:

Taxes:	
Property Taxes, Levied for General Purposes	62,411
Intergovernmental Revenues not Restricted to Specific Functions	74,582
Investment Income	5,398
Total General Revenues	142,391

CHANGE IN NET ASSETS 15,574

NET ASSETS - BEGINNING OF YEAR 217,334

NET ASSETS - END OF YEAR \$ 232,908

INGALLSTON TOWNSHIP, MICHIGAN

Balance Sheet Governmental Funds March 31, 2006

	General Fund	Special Revenue	Total Governmental Funds
ASSETS:			
Cash	\$ 51,998	\$ -	\$ 51,998
Investments	135,000	-	135,000
Receivables:			
Tax	3,345	-	3,345
Other	1,207	-	1,207
Due from Other Funds	2,071	1,300	3,371
Prepaid Insurance	3,454	-	3,454
Total Assets	<u><u>\$ 197,075</u></u>	<u><u>\$ 1,300</u></u>	<u><u>\$ 198,375</u></u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Due to Other Funds	\$ 1,300	\$ -	\$ 1,300
Total Liabilities	<u>1,300</u>	<u>-</u>	<u>1,300</u>
FUND BALANCES:			
Reserved	3,454	-	3,454
Unreserved:			
Designated	62,428	1,300	63,728
Undesignated	129,893	-	129,893
Total Fund Balances	<u>195,775</u>	<u>1,300</u>	<u>197,075</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 197,075</u></u>	<u><u>\$ 1,300</u></u>	
RECONCILIATION TO STATEMENT OF NET ASSETS:			
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.			<u>35,833</u>
TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES			<u><u>\$ 232,908</u></u>

INGALLSTON TOWNSHIP, MICHIGAN
Statement of Revenues, Expenditures and Changes
In Fund Balances - Governmental Funds
For the Year Ended March 31, 2006

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
REVENUES:			
Taxes	\$ 62,411	\$ -	\$ 62,411
Intergovernmental	70,374	4,208	74,582
Licenses and Permits	1,547	-	1,547
Miscellaneous	6,473	-	6,473
Total Revenues	<u>140,805</u>	<u>4,208</u>	<u>145,013</u>
EXPENDITURES:			
Current:			
General Government	68,326	-	68,326
Public Safety	15,000	-	15,000
Public Works	40,598	1,634	42,232
Other	486	-	486
Capital Outlay	2,233	-	2,233
Total Expenditures	<u>126,643</u>	<u>1,634</u>	<u>128,277</u>
NET CHANGES IN FUND BALANCES	14,162	2,574	16,736
FUND BALANCE (DEFICIT) - BEGINNING	<u>181,613</u>	<u>(1,274)</u>	<u>180,339</u>
FUND BALANCES - ENDING	<u>\$ 195,775</u>	<u>\$ 1,300</u>	<u>\$ 197,075</u>

INGALLSTON TOWNSHIP, MICHIGAN
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2006

Net Change in Fund Balances - Governmental Funds	\$ 16,736
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Amounts reported for governmental activities in the statement of activities are different because:

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense.

Capital outlay reported in governmental fund statements	2,233	
Depreciation expense reported in the statement of activities	<u>(3,395)</u>	
Amount by which depreciation expense exceeds capital outlay in the current period.		(1,162)

Change in Net Assets - Governmental Activities	<u>\$ 15,574</u>
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INGALLSTON TOWNSHIP

Statement of Net Assets

Fiduciary Fund

March 31, 2006

	<u>Agency</u> <u>Tax Collection</u> <u>Fund</u>
ASSETS:	
Cash	\$ 2,071
Total Assets	<u>2,071</u>
 LIABILITIES:	
Due to Other Funds	<u>2,071</u>
Total Liabilities	<u>2,071</u>
 NET ASSETS	<u>\$ -</u>

See Accompanying Notes

INGALLSTON TOWNSHIP, MICHIGAN
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended March 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 63,339	\$ 63,339	\$ 62,411	\$ (928)
Intergovernmental	70,374	70,374	70,374	-
Licenses and Permits	1,573	1,573	1,547	(26)
Miscellaneous	5,441	5,441	6,473	1,032
Total Revenues	<u>140,727</u>	<u>140,727</u>	<u>140,805</u>	<u>78</u>
EXPENDITURES:				
Current:				
General Government	81,678	79,885	68,326	11,559
Public Safety	25,000	25,000	15,000	10,000
Public Works	52,000	52,400	40,598	11,802
Other	12,787	11,947	486	11,461
Capital Outlay	-	2,233	2,233	-
Total Expenditures	<u>171,465</u>	<u>171,465</u>	<u>126,643</u>	<u>44,822</u>
NET CHANGE IN FUND BALANCE	(30,738)	(30,738)	14,162	44,900
FUND BALANCE - BEGINNING	<u>181,613</u>	<u>181,613</u>	<u>181,613</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 150,875</u>	<u>\$ 150,875</u>	<u>\$ 195,775</u>	<u>\$ 44,900</u>

INGALLSTON TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

This summary of significant accounting policies of Ingallston Township (Township) is presented to assist in understanding the Township's financial statements. The financial statements and notes are representations of the Township's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles (GAAP) and have been consistently applied in the preparation of the financial statements.

REPORTING ENTITY

This report includes all of the funds of Ingallston Township. The reporting entity for the Township consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. Ingallston Township has no component units.

BASIS OF FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Township does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Taxes and other items not properly included as program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

INGALLSTON TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

BASIS OF FINANCIAL STATEMENT PRESENTATION (Continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into individual funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses.

Funds are organized as major funds or non-major funds within the governmental statements. An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental are at least 10 percent of the corresponding total for all funds of that category or type and
- b. The same element that met the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental fund combined.
- c. In addition, any other governmental fund that the Township believes is particularly important to financial statement users may be reported as a major fund.

Governmental Funds

General Fund

The general fund is the primary operating fund of the Township and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Fiduciary Funds (Not included in government-wide statements)

Agency Funds

Agency funds are used to account for assets held by the Village as an agent for individuals, private organizations, and/or other governmental units.

The tax collection fund accounts for property tax collections.

INGALLSTON TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

BASIS OF FINANCIAL STATEMENT PRESENTATION (Continued)

Major Fund

The Township reports the following major governmental fund:

The *general fund*, which accounts for the Township's primary operating activities.

Non-Major Fund

The Township reports the following non-major fund:

Special Revenue Fund –
Right of Way Maintenance (ROW)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the Township gives or receives value without directly, receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Township considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

Under the terms of grant agreements, the Township may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted net assets may be available to finance the program. It is the Township's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

INGALLSTON TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

BUDGETARY CONTROL

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- During the year, Township management submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by Township Board action.
- Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. Final budget is defined as the originally approved budget plus or minus approved amendments. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
- During the year, formal budgetary integration is employed as a management control device for the general fund.
- Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each activity or department of the Township. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the Township Board with a two-thirds majority vote.

ACCOUNTS RECEIVABLE

Accounts receivable in the Governmental Funds are recorded at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material.

CAPITAL ASSETS

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements and used in governmental fund operations.

Government-Wide Statements

In the government-wide financial statements, property, plant and equipment are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual cost is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. The Township has a capitalization threshold of \$500.

INGALLSTON TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

CAPITAL ASSETS (Continued)

Government-Wide Statements (Continued)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	20-30 Years
Equipment	5-10 Years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

CLAIMS AND JUDGMENTS

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncement are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental fund types. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

EQUITY CLASSIFICATIONS

Government-wide Statements

Equity is classified as net assets and displayed in three components.

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, improvement of those assets.

INGALLSTON TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

EQUITY CLASSIFICATIONS (Continued)

Government-wide Statements (Continued)

- Restricted net assets – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation. At March 31, 2006, the Township has no restricted net assets.
- Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

USE OF ESTIMATES

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results may differ from these estimates.

NOTE 2 - CASH AND INVESTMENTS:

Michigan Compiled Laws, Section 129.91, authorizes Ingallston Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has not adopted a formal investment policy.

INGALLSTON TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2006

NOTE 2 - CASH AND INVESTMENTS (Continued):

The following disclosures are made in accordance with Governmental Accounting Standards Board Statement No. 40, with regard to the Township's Deposits and Investments:

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial risk for *investments* is the risk that, in the event of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The State statutes and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial risks for deposits or investments.

The Township maintains its cash accounts at several financial institutions. The balances, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$100,000 per interest bearing account and \$100,000 per non-interest bearing account per financial institution. Management acknowledges the possibility of risk in this arrangement. However, the size and longevity of the depository institutions minimizes such risk.

The following is a summary of cash deposits as of March 31, 2006:

Fully insured deposits	\$	190,235
Uncollateralized		-
Total	\$	<u>190,235</u>

NOTE 3 - PROPERTY TAXES:

Ingallston Township property tax is levied on each July 1st on the taxable valuation of property (as defined by State statutes) located in Ingallston Township as of the preceding December 31.

Property taxes are recorded in the year levied as receivables and recognized as revenue. Real property taxes not collected by February 28 are turned over to the county for collection. The county pays the Township for these delinquent taxes within 120 days. Delinquent personal property taxes are recorded as deferred revenue until collected or written off. In addition to property taxes for the Township, taxes are collected and remitted to state and county governments as well as local school districts.

The 2005 taxable valuation of Ingallston Township totaled \$33.65 million, on which ad valorem taxes levied consisted of 1.2527 mills for the Township's operating purposes. This amount is recognized in the General Fund as tax revenue.

INGALLSTON TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2006

NOTE 4 - CAPITAL ASSETS:

Capital asset balances and activity for the year ended March 31, 2006 were as follows:

	Balance 3/31/05	Increases	Balance 3/31/06
Governmental Activities:			
Capital Assets Being Depreciated:			
Buildings	\$ 36,490	\$ -	\$ 36,490
Equipment	12,733	2,233	14,966
Total Capital Assets Being Depreciated	49,223	2,233	51,456
Less Accumulated Depreciation for:			
Buildings	5,021	1,618	6,639
Equipment	7,207	1,777	8,984
Total Accumulated Depreciation	12,228	3,395	15,623
Capital Assets, Net of Accumulated Depreciation	\$ 36,995	\$ -1,162	\$ 35,833

Depreciation expense was charged to functions as follows:

Governmental Activities:

General Government	\$ 3,395
--------------------	----------

INGALLSTON TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2006

NOTE 5 - NET ASSETS/FUND BALANCES:

Net assets reported on the government-wide statement of net assets at March 31, 2006 includes the following:

Invested in Capital Assets:	
Capital Assets, Net of Accumulated Depreciation	\$ 35,833
Net Assets Unrestricted	<u>197,075</u>
Total Net Assets – Government-Wide Statements	<u>\$ 232,908</u>

Fund balances reported in the governmental funds balance sheet at March 31, 2006 are further classified as follows:

Reserved for Prepaid Items	\$ 3,454
Unreserved:	
Designated:	
Butchli Road – North End Project	37,428
Fire Department Equipment Replacement	25,000
Right of Way Maintenance	<u>1,300</u>
Total Designated	<u>63,728</u>
Undesignated	<u>129,893</u>
Total Governmental Fund Balance	<u>\$ 197,075</u>

NOTE 6 - EMPLOYEE'S RETIREMENT SYSTEM:

The Township has a defined contribution pension plan covering only the Township board members. The Township's pension contribution for the year ended March 31, 2006 was \$8,645. There are no unfunded liabilities. The Township's contributions are based upon the prior year's compensation for each board member.

NOTE 7 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health claims; unemployment compensation claims; and environmental damage for which the Township purchases commercial insurance. There has been no reduction in insurance coverage from the prior year. Insurance settlements for claims resulting from the risks covered by commercial insurance have not exceeded the insurance coverage in the past two years.

INGALLSTON TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2006

NOTE 8 - COMMITMENTS AND CONTINGENT LIABILITIES:

The Township has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

From time to time, the Township is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the Township's attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Township's financial position or results of operations.

Funding for the operating budget of the Township comes from many sources, including property taxes, grants and aids from other units of government, user fees, fines and permits, and other miscellaneous revenues. The State of Michigan provides a variety of aid and grant programs which benefit the Township. Those aid and grant programs are dependent on continued approval and funding by the Michigan governor and legislature, through their budget processes. The State of Michigan is currently experiencing budget problems, and is considering numerous alternatives including reducing the aid to local governments. Any changes made by the State to funding or eligibility of local aid programs could have a significant impact on the future operating results of the Township.

NOTE 9 - JOINT VENTURES:

The Township is a participant with Menominee Township, Menominee County, Michigan in a joint venture to operate a landfill transfer station. The Menominee and Ingallston Transfer Station is governed by a ten-member board composed of members from both township boards. The townships are obligated by agreement to provide operating appropriations allocated 70% to Menominee Township and 30% to Ingallston Township. These percentages are determined by each township's respective SEV value. During the year ended March 31, 2006, Ingallston Township remitted \$2,400 to the Menominee Ingallston Transfer Station. Complete financial statements for the Menominee Ingallston Transfer Station can be obtained from the Menominee Township Clerk's office at the Menominee Township Hall.

The Township is also a participant with Menominee Township, Menominee County, Michigan in a joint venture to operate the Menominee-Ingallston Township Fire Department. The Menominee-Ingallston Township Fire Department is governed by a ten-member board composed of members from both township boards. The townships are obligated by agreement to provide operating appropriations allocated 70% to Menominee Township and 30% to Ingallston Township. These percentages are determined by each township's respective SEV value. During the year ended March 31, 2006, Ingallston Township remitted \$15,000 to the Menominee-Ingallston Township Fire Department. Complete financial statements for the Menominee-Ingallston Township Fire Department can be obtained from the Menominee Township Clerk's office at the Menominee Township Hall and from the Ingallston Township Clerk's office at the Ingallston Greenwood Town Hall.

SUPPLEMENTARY INFORMATION

INGALLSTON TOWNSHIP, MICHIGAN
Schedule of Detailed Budgetary Comparison
General Fund
For the Year Ended March 31, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
TAXES:				
General Property Taxes	\$ 40,315	\$ 40,315	\$ 39,315	\$ (1,000)
Delinquent Tax	3,291	3,291	2,812	(479)
State Fee on Tax Collection	3,587	3,587	3,587	-
Swamp Tax	7,039	7,039	7,039	-
Administrative Fee on Tax Collection	9,107	9,107	9,658	551
Total Taxes	63,339	63,339	62,411	(928)
INTERGOVERNMENTAL REVENUES:				
State Shared Revenues	70,374	70,374	70,374	-
Total Intergovernmental Revenues	70,374	70,374	70,374	-
LICENSES AND PERMITS:				
Cable Franchise Fees	1,207	1,207	1,207	-
Licenses and Permits	340	340	340	-
Dog Licenses	26	26	-	(26)
Total Licenses and Permits	1,573	1,573	1,547	(26)
MISCELLANEOUS REVENUES:				
Refunds	18	18	18	-
Interest Income	4,366	4,366	5,398	1,032
School Elections	1,057	1,057	1,057	-
Total Miscellaneous Revenues	5,441	5,441	6,473	1,032
TOTAL REVENUES	\$ 140,727	\$ 140,727	\$ 140,805	\$ 78

INGALLSTON TOWNSHIP, MICHIGAN

Schedule of Detailed Budgetary Comparison

General Fund

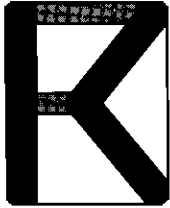
For the Year Ended March 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
GENERAL GOVERNMENT:				
Township Board				
Education	250	250	-	250
Salaries	4,400	4,400	4,400	-
Pension	8,700	8,700	8,645	55
Supplies	550	550	103	447
Contracted Services	2,000	2,000	1,485	515
Printing	100	100	-	100
Dues	900	900	826	74
Workers' Compensation Insurance	800	800	750	50
Total Township Board	17,700	17,700	16,209	1,491
Supervisor				
Salary	7,500	7,500	7,500	-
Education	300	300	130	170
Mileage	500	500	106	394
Supplies	200	200	273	(73)
Total Supervisor	8,500	8,500	8,009	491
Elections				
Salary	1,200	1,200	500	700
Education	120	120	-	120
Supplies	1,000	1,000	300	700
Mileage	200	200	137	63
Printing	125	125	-	125
Services	150	150	178	(28)
Total General Administration	2,795	2,795	1,115	1,680
Clerk				
Salary	9,000	9,000	9,000	-
Education	150	150	-	150
Supplies	400	400	94	306
Mileage	500	500	179	321
Printing	100	100	-	100
Total Clerk	10,150	10,150	9,273	877
Treasurer				
Salary	9,600	9,600	9,600	-
Education	150	150	-	150
Supplies	2,025	948	948	-
Dues	-	-	110	(110)
Mileage	500	500	302	198
Total Treasurer	12,275	11,198	10,960	238
Town Hall				
Contracted Services	1,500	1,500	590	910
Utilities	2,000	2,000	1,483	517
Repairs	2,000	2,000	223	1,777
Fuel	700	700	-	700
Insurance	3,100	3,100	2,783	317
Supplies	100	100	-	100
Total Town Hall	9,400	9,400	5,079	4,321

INGALLSTON TOWNSHIP, MICHIGAN
Schedule of Detailed Budgetary Comparison
General Fund
For the Year Ended March 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Assessor				
Salary	13,600	13,600	13,600	-
Education	300	300	125	175
Supplies	2,388	1,232	1,232	-
Mileage	100	100	13	87
Total Assessor	<u>16,388</u>	<u>15,232</u>	<u>14,970</u>	<u>262</u>
Zoning Board				
Salary	700	700	440	260
Supplies	100	100	-	100
Printing	150	150	-	150
Board of Appeals	220	220	-	220
Total Zoning Board	<u>1,170</u>	<u>1,170</u>	<u>440</u>	<u>730</u>
Board of Review				
Salary	1,000	1,440	1,440	-
Printing	300	300	126	174
Total Board of Review	<u>1,300</u>	<u>1,740</u>	<u>1,566</u>	<u>174</u>
Payroll Taxes	<u>2,000</u>	<u>2,000</u>	<u>705</u>	<u>1,295</u>
Total General Government	<u>81,678</u>	<u>79,885</u>	<u>68,326</u>	<u>11,559</u>
PUBLIC SAFETY:				
Fire Protection	20,000	20,000	15,000	5,000
Fire Equipment	5,000	5,000	-	5,000
Total Public Safety	<u>25,000</u>	<u>25,000</u>	<u>15,000</u>	<u>10,000</u>
PUBLIC WORKS:				
Road Maintenance	50,000	50,000	38,198	11,802
Transfer Station	2,000	2,400	2,400	-
Total Public Works	<u>52,000</u>	<u>52,400</u>	<u>40,598</u>	<u>11,802</u>
OTHER:				
Contingencies	10,000	8,947	-	8,947
Miscellaneous	2,787	3,000	486	2,514
Total Other	<u>12,787</u>	<u>11,947</u>	<u>486</u>	<u>11,461</u>
CAPITAL OUTLAY:				
Treasurer	-	1,077	1,077	-
Assessor	-	1,156	1,156	-
Total Capital Outlay	<u>-</u>	<u>2,233</u>	<u>2,233</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 171,465</u>	<u>\$ 171,465</u>	<u>\$ 126,643</u>	<u>\$ 44,822</u>

ADDITIONAL REPORT AND SCHEDULE



KERBER, ROSE & ASSOCIATES, S.C.

Certified Public Accountants

1727 Stephenson Street • P.O. Box 75 • Marinette, WI 54143-0075
(715) 735-9321 • Fax (715) 735-5899

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Township Board
Ingallston Township
Menominee County, Michigan

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Ingallston Township (Township), Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated July 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item #06-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe the reportable condition referred to above is not a material weakness.

To the Township Board
Ingallston Township

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain matters that we reported to management of Ingallston Township in a separate letter dated July 21, 2006.

This report is intended solely for the information and use of the Township Board, management and awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Kerber, Rose & Associates, S.C.

KERBER, ROSE & ASSOCIATES, S.C.

Certified Public Accountants

July 21, 2006

INGALLSTON TOWNSHIP, MICHIGAN

Schedule of Findings
For the Year Ended March 31, 2006

SUMMARY OF AUDITORS' RESULTS

Financial Statements

- | | |
|---|---------------------|
| 1. Type of audit report issued on financial statements? | Unqualified Opinion |
| 2. Was a reportable condition disclosed? | Yes |
| 3. Was a material noncompliance disclosed? | No |

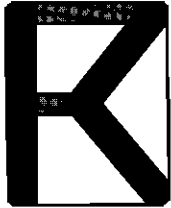
FINANCIAL STATEMENTS FINDINGS

Reportable Condition

#06-1 - Most of the Township's cash and financial reporting duties are performed by a limited number of employees. Although these employees are segregating their duties as much as possible, some of the aspects of internal control which rely upon an adequate segregation of duties are missing.

We recognize that the Township is not large enough to make the employment of additional persons for the purpose of segregating duties practical from a financial standpoint, but we are required, under our professional responsibilities, to call the situation to your attention.

The Township Board should continue to rely on its direct knowledge of the Township's operations to control and safeguard assets.



KERBER, ROSE & ASSOCIATES, S.C.

Certified Public Accountants

1727 Stephenson Street • P.O. Box 75 • Marinette, WI 54143-0075
(715) 735-9321 • Fax (715) 735-5899

July 21, 2006

Supervisor and Township Board
Ingallston Township, Michigan

In planning and performing our audit of the financial statements of the Ingallston Township (Township) for the year ended March 31, 2006, we considered the Township's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

We became aware of several matters that are opportunities for strengthening internal controls and operating efficiency that we have detailed below. We previously reported on the Township's internal control in our report dated July 21, 2006. This letter does not affect our report dated July 21, 2006, on the financial statements of the Township.

Separation of Duties

The size of the Township's office staff has prevented the separation of functions necessary to assure an adequate internal control structure. It is not practical to hire additional staff solely for the purpose of separation of duties. However, the Board should continue to be aware of this condition.

Automated Accounting System

A computerized accounting system would provide many benefits to the Township. There are several low-cost off-the-shelf programs, such as QuickBooks and Peachtree that could be easily implemented with very little expense and training time. Such a system would result in greater accuracy, more consistent coding, and better control over financial transactions, among other benefits.

Bank Reconciliations

Bank statements should be reconciled to Township records each month. Old outstanding checks should be investigated and replacement checks should be issued if necessary. An automated accounting system would most likely have a reconciliation feature built in, which would make this procedure very easy to perform.

Accounts Payable

Since the Township reports on the accrual basis of accounting, it is important to enter invoices into the records in the same period expenses are incurred, rather than when paid. An automated accounting system would most likely have an accounts payable feature built in, which would make this procedure very easy to perform.

Budgetary Control

The most important control the Board possesses in being accountable for the finances of the Township is the budget to actual comparative reporting function. We recommend financial reports that show the most current budget, actual amounts to date, and a variance between the two, be provided to the Board each month for review and official acceptance at the board meeting. An automated accounting system would most likely have budget to actual financial report built in, which would make this procedure very easy to perform.

Cash and Investment Accounts

Board approval is required whenever bank accounts are opened or closed, including when CD's are moved to a different bank.

Each physical bank account should have a unique account in the general ledger, but single bank accounts should not be split among more than one general ledger account. For example, there is no physical bank account for the ROW fund, so no cash account should exist in that fund's general ledger. Instead, expenditures should credit a "Due To General Fund" account. In the General Fund, a corresponding "Due From ROW Fund" account should be debited.

A formal investment policy should be in place and reviewed annually to ensure optimal earnings on investments.

Disaster Recovery

A formal backup procedure should be established to ensure safekeeping of Township records in case of fire or theft. Rotation of at least three backup sets is recommended, along with offsite storage.

Capital Assets

We corrected the Township's total capital assets to exclude road construction expense. According to Michigan State Statutes, roads become the property of the County Road Commission upon completion, and the responsibility to maintain them rest with the commission as well.

Management's Discussion and Analysis

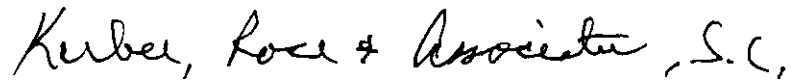
The State strongly recommends that local governments provide a management's discussion and analysis with their annual financial reports, which is required under generally accepted accounting principles. We recommend that the treasurer, clerk, and supervisor collaborate on the preparation of this report for future audits.

Conclusion

We will review the status of these comments during our next audit engagement. We will be pleased to discuss them in further detail or assist with implementation.

We thank you for allowing us to be of service to the Ingallston Township. We received complete cooperation from all staff members during the audit. The Township's Clerk, Treasurer, and Assessor/Supervisor are very competent and conscientious in performing the necessary functions to ensure the fiscal well-being of the Township. They are doing an excellent job to protect the integrity of the Township's financial records and to make certain of the accountability of all Township employees in protecting the Township's assets.

Sincerely,

A handwritten signature in black ink that reads "Kerber, Rose & Associates, S.C." in a cursive, flowing script.

KERBER, ROSE & ASSOCIATES, S.C.